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REPORT OF AUDIT

HUNTINGDON ENVIRONMENTAL, INC.

PERIOD ENDED JUNE 30, 1995

CENTRALIZED SERVICES DIVISION

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REPORT OF AUDIT
HUNTINGDON ENVIRONMENTAL, INC.
PERIOD ENDED JUNE 30, 1995

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DEPARTMENT OF ENVIRONMENTAL QUALITY



MARCRACICOT
GOVERNOR

MARK A. SIMONICH
DIRECTOR

STATE OF MONTANA

October 11, 1995

Mr. Myles Grotbo, District Manager
Maxim Technologies, Inc.
P. O. Box 4699
Helena, Montana 59604

Dear Mr. Grotbo:

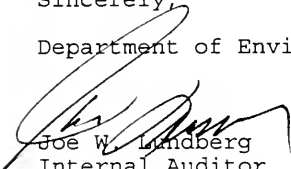
This is our report as a result of the audit performed at your Helena office September 11 - 26, 1995.

The report contains four recommendations relating to contract management and time sheets.

We wish to thank the staff for the assistance provided during the audit process.

Sincerely,

Department of Environmental Quality



Joe W. Lundberg
Internal Auditor

INTRODUCTION:

Staff from the Montana Department of Health and Environmental Sciences (see section on reorganization) performed a routine financial compliance audit at the Helena office of Huntingdon Engineering and Environmental, now Maxim Technologies, Inc. (Huntingdon) between September 11 and 26, 1995. Our last financial review was made in July 1990.

Huntingdon provides environmental engineering, consulting, scientific, and technical services in areas such as hydrocarbon spill/leak detection and remediation hydrology and hydrogeology to government and industry.

Huntingdon also provides construction management and materials testing services.

Headquartered in Denver, Colorado, Huntingdon provides services from offices in sixteen cities in the Western United States.

The DHES has had several contracts with Huntingdon over the past several years. These contracts relate to the DHES Superfund LUST/Trust Programs in the area of risk assessment and environmental remediation.

EXECUTIVE REORGANIZATION OF STATE
AGENCIES:

The 1995 Montana State Legislature passed several bills mandating a major reorganization of five executive agencies in state government. Involved in that reorganization is the DHES. Effective July 1, 1995, the environmental programs in the DHES were combined with two other environmental regulatory divisions from two other state agencies to form the Montana Department of Environmental Quality, (DEQ). This report is being issued by the Department of Environmental Quality.

SCOPE OF EXAMINATION:

This examination was performed in a manner to provide us with assurance that costs billed and paid under our Superfund and LUST/Trust contracts were actual, reasonable and necessary and the contractor's records could support all costs billed. Task orders issued under a contract with the Reclamation Division were included in the scope of the audit. We also tested contract compliance to determine if contract deliverables were being provided in a timely manner and dates for performance were being met.

This report pertains to work completed between July 1993 and June 30, 1995. The scope of this report is limited to contracts between

Huntingdon and the DEQ and does not pertain to any other segment of Huntingdon's operations. This report is intended for the use of Huntingdon, the DEQ and the U. S. EPA. This restriction is not intended to limit the access to this report, which when issued, is a matter of public record.

REPORT ON PRIOR RECOMMENDATIONS:

In our prior audit report, there were nine recommendations relating to contract management, internal controls and overhead rates. During our current audit we determined that all recommendations had been implemented.

OPINION ON COSTS BILLED AND PAID:

Based on the invoices from the contractor and any associated sub-contractors tested, we believe that all costs billed to the Superfund, LUST/Trust and Reclamation Programs were actually incurred, were reasonable and necessary in all material respects for the work completed under contracts with the DEQ. For items not tested, nothing came to our attention that led us to believe material costs billed and paid were not actual, reasonable and necessary. During our examination we noted some immaterial areas of concern that will be described in the following section of this report.

TIME SHEET ISSUES:

During our prior examination we reviewed time sheets for accuracy and traced hours worked on our projects to the invoices received. We performed similar procedures during the current audit. We also tested an entire week's time sheets for the entire northern division to assess compliance with the company's policies for preparing and processing time sheets.

During our testing, we noted sporadic instances where supervisory approvals are not always given. Our contracts with Huntingdon state in section XV that the contractor's accounting system must have controls over assets and expenses that will assure funds are used only for

the work authorized in the contracts.

Supervisory approval of time sheets are part of that control environment.

Another minor issue relating to the time sheets was detected during our testing. Huntingdon's policy requires each employee to add the hours on the time sheets horizontally and vertically.

We noted seven time sheets where this process had not be completed. While this is not a significant number, the procedure provides an important control function in that it is a check to detect errors in addition.

RECOMMENDATION #1:

**WE RECOMMEND HUNTINGDON PERSONNEL
RESPONSIBLE FOR PROCESSING TIME SHEETS**

***RETURN THEM TO THE EMPLOYEE FOR
CORRECTION IF THERE IS NO SUPERVISORY
SIGNATURE OR TIME SHEETS ARE NOT
COMPLETED IN ACCORDANCE WITH
COMPANY POLICY.***

OVERHEAD RATES:

***Since the executive reorganization became
effective July 1, 1995, the Reclamation Division
from the former Department of State Lands is
now part of the DEQ. During the audit we
noted the overhead rate applied to Reclamation
task orders was slightly higher than the rate
applied to Superfund and LUST task orders. I
tested the total amount billed at the high rate***

and found the difference to be less than \$100.00. In the interest of consistency, the rate applied should be the same for all contracts.

RECOMMENDATION #2

WE RECOMMEND THE RATE IN THE RECLAMATION CONTRACT BE ADJUSTED SO IT WILL AGREE WITH THE RATES IN SUPERFUND AND LUST CONTRACTS.

VEHICLE MILEAGE LOGS:

As part of our invoice testing procedures, invoiced amounts were traced to the back-up documentation. We noted two instances where

multiple trip mileage was added together on one day. In one case, 1099 miles were recorded on one day and 774 miles on another day. All mileage was assumedly for travel between Helena and Lincoln for work at a LUST site.

Two problems exist. One, our contracts require the costs for each trip to be broken down separately. When the mileage is added together it is not possible to identify the costs associated with each trip. The second problem is that the dates of the trips cannot be determined and tied to other travel and labor costs.

RECOMMENDATION #3:

WE RECOMMEND EMPLOYEES RECORD THE TRIP MILEAGE SEPARATELY FOR EACH TRIP. THIS WILL ENSURE CONTRACT COMPLIANCE AND ALLOW SPECIFIC COSTS FOR EACH TRIP TO BE IDENTIFIED.

SERVICE PERIOD DATES ON INVOICES:

During invoice testing, we noted on five of six invoices tested, the date services were provided was not included on the invoice. All contracts require these dates to be provided. It is important for this information to be provided so the proper fiscal year can be charged. We have

had to return invoices that were received after the end of the fiscal year because we were not able to determine when the services were provided. Federal and State regulations require that bills be paid from funds appropriated in the year the costs were incurred.

RECOMMENDATION #4:

WE RECOMMEND HUNTINGDON COMPLY WITH THE CONTRACT REQUIREMENT TO INCLUDE THE DATES THE SERVICES WERE PROVIDED ON EACH INVOICE.

SUMMARY AND CONCLUSIONS:

We were pleased with the conditions of the accounting records and the level of improvement made since the last audit. The issues presented in this report are not an indication of major non-compliance.

CONTRACTOR'S RESPONSE

October 24, 1995

OCT 25 1995

Montana Department of Environmental Quality
Attn: Mr. Joe Lundberg
Cogswell Building
Helena, MT 59620-0901

RE: Compliance Audit for 7/93 - 6/95

Enclosed is the draft audit report which we have reviewed have no comment as to it's content. We have implemented changes to address the minor issues that were mentioned in the audit.

Please let me know if you have any questions.

Sincerely,



Laura Nordahl
Business Administrator

-15-

1610 B Street, P.O. Box 4699, Helena, MT 59604 (406)443-5210 FAX: (406)449-3729



